

AMENDED IN SENATE AUGUST 21, 2014

AMENDED IN SENATE AUGUST 4, 2014

AMENDED IN ASSEMBLY MAY 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1837**

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**Introduced by Assembly Member Atkins**  
*(Principal coauthor: Assembly Member Campos)*  
*(Principal coauthor: Senator Lieu)*

**(Coauthors: Assembly Members Fox, Medina, and V. Manuel Pérez)**

February 18, 2014

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An act to add and repeal Title 15.8 (commencing with Section 97008) of, and to repeal Section 97013 of, the Government Code, relating to corrections.

LEGISLATIVE COUNSEL'S DIGEST

AB 1837, as amended, Atkins. Board of State and Community Corrections.

Existing law establishes the Board of State and Community Corrections to collect and maintain available information and data about state and community correctional policies, practices, capacities, and needs, as specified. Existing law also requires the board to develop incentives for units of local government to develop comprehensive regional partnerships whereby adjacent jurisdictions pool grant funds in order to deliver services to a broader target population and maximize the impact of state funds at the local level.

This bill would enact, until January 1, 2020, the Social Innovation Financing Program, and would require the board to administer the program. The bill would, *among other things*, authorize the ~~Chair of~~

the Board of State and Community Corrections, upon appropriation of funds by the Legislature for deposit in the Recidivism Reduction Fund, to award grants in amounts of not less than \$500,000 and not more than \$2,000,000 to each of 3 counties, selected as specified, for the purpose of entering into a pay for success or social innovation financing contract, pursuant to which private investors agree to provide financing to service providers to achieve social outcomes agreed upon in advance and the government agency *that is a party to the contractual agreement* agrees to pay a return on the investment to the investors if successful programmatic outcomes are achieved by the service provider. The bill would limit the total amount of the grants awarded to \$5,000,000. The bill would require ~~the chair~~ *each county receiving an award* to report annually to the Governor and Legislature on the status of *its* program. *The bill would require the board to compile the county reports and submit a summary report to the Governor and the Legislature annually.* The bill would also make legislative findings and declarations in this regard.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) It is the intent of the Legislature to establish partnerships
- 4 between local governmental agencies, private investors, nonprofit
- 5 organizations, and for-profit service providers to facilitate the use
- 6 of social innovation financing to achieve measurable social
- 7 benefits.
- 8 (b) Social innovation financing and the use of
- 9 performance-based contracting can serve as an effective tool for
- 10 addressing social and community development challenges where
- 11 private sector innovations may be useful and multiple approaches
- 12 may be appropriate. Research shows that the selection and design
- 13 of these types of social interventions should be done with care in
- 14 order to ensure successful outcomes. Among other criteria, selected
- 15 projects should meet the following requirements:
- 16 (1) Address social needs that are unmet, high priority, and
- 17 large-scale.

1 (2) Address target populations that are well-defined and can be  
2 measured with scientific rigor.

3 (3) Result in outcomes that are credible and readily available  
4 by cost-effective means.

5 (4) Propose interventions that are highly likely to achieve  
6 targeted impact goals.

7 (5) Be carried out by proven service providers that are prepared  
8 to scale with quality.

9 (6) Include safeguards to protect the well-being of the  
10 populations served.

11 (7) Be cost-effective programs that can demonstrate financial  
12 savings for government.

13 SEC. 2. Title 15.8 (commencing with Section 97008) is added  
14 to the Government Code, to read:

15  
16 TITLE 15.8. SOCIAL INNOVATION FINANCING  
17 PROGRAM  
18

19 97008. For purposes of this title, the following definitions  
20 apply:

21 (a) “Board” means the Board of State and Community  
22 Corrections.

23 ~~(b) “Chair” means the Chair of the Board of State and~~  
24 ~~Community Corrections.~~

25 ~~(c)~~  
26 (b) “Social innovation financing contract,” which may also be  
27 known and referred to as a “pay for success contract,” refers to a  
28 contractual agreement between government, private investors, and  
29 service providers pursuant to which private investors agree to  
30 provide financing to service providers to achieve social outcomes  
31 agreed upon in advance and the government agency agrees to pay  
32 a return on the investment to the investors if successful  
33 programmatic outcomes are achieved by the service provider.

34 97009. (a) It is the intent of the Legislature that as part of the  
35 package to reduce recidivism in California, the concept of “pay  
36 for success” or social innovation financing should be included to  
37 take advantage of available philanthropic and private investment.

38 (b) The Legislature hereby declares that a variety of approaches  
39 have been shown to be successful in reducing recidivism, including  
40 addressing homelessness, substance abuse, and workforce

1 ~~participation within~~ *use disorder and unemployment among* specific  
2 demographic groups.

3 97010. (a) There is hereby established the Social Innovation  
4 Financing Program.

5 (b) The board shall administer the Social Innovation Financing  
6 Program.

7 (c) (1) The ~~chair~~ *board* shall solicit proposals for social  
8 innovation financing from county boards of supervisors and shall  
9 select three counties to receive grant funding.

10 (2) Before awarding a grant pursuant to paragraph (1), the ~~chair~~  
11 ~~shall consult with the board regarding~~ *shall evaluate* the quality  
12 of the proposal for which the grant is to be awarded.

13 (3) At a minimum, each application for a grant shall include all  
14 of the following:

15 (A) A description of the proposed social program.

16 (B) A description of the organization's experience in providing  
17 the proposed social program.

18 (C) A description of the financial stability of the organization.

19 (D) An identification of each component of the social program  
20 to be provided.

21 (E) A description of the manner in which the social program  
22 will be provided.

23 (F) A description of the recruitment or selection process, or  
24 both, for participants in the social program.

25 (G) The proposed quantifiable results *and performance*  
26 *thresholds* upon which success of the social program will be  
27 measured.

28 (H) An itemization of all expenses proposed to be reimbursed  
29 under the contract.

30 (I) The amount of matching funds provided by the county.

31 (J) A description of how the final payments for successful  
32 programmatic outcomes ~~are~~ *will be calculated and* structured in  
33 the contract.

34 (K) A description of all parties to the proposed contract,  
35 including prospective investors and philanthropic foundations.

36 97011. (a) Upon appropriation of funds by the Legislature for  
37 deposit in the Recidivism Reduction Fund for the purposes of this  
38 title, the ~~chair~~ *board* shall award a grant in an amount of not less  
39 than five hundred thousand dollars (\$500,000) and not more than  
40 two million dollars (\$2,000,000) to each county selected pursuant

1 to Section 97010 for the purposes of entering into a pay for success  
2 or social innovation financing contract. The total amount of the  
3 grants awarded pursuant to this section shall not exceed five million  
4 dollars (\$5,000,000). Any unused state moneys shall revert to the  
5 General Fund.

6 (b) Each *county* contract described in subdivision (a) shall  
7 include all of the following:

8 (1) A requirement that the payment be conditioned on the  
9 achievement of specific outcomes based upon defined performance  
10 targets.

11 (2) An objective process by which an independent evaluator,  
12 selected by the ~~chair~~, *county*, will determine whether the  
13 performance targets have been achieved. *This process shall include*  
14 *defined performance metrics and a monitoring plan.*

15 (3) A calculation of the amount and timing of payments that  
16 would be earned by the service provider during each year of the  
17 agreement if performance targets are achieved as determined by  
18 the independent evaluator.

19 (4) A determination by the county that the contract will result  
20 in significant performance improvements, *such as a reduction in*  
21 *rearrests or an increase in the number of jail days avoided*, and  
22 budgetary savings if the performance targets are achieved.

23 (5) A requirement that an amount equal to a minimum of 100  
24 percent of the Social Innovation Financing Program grant awarded  
25 to the county be matched by other county, federal, ~~or~~ private,  
26 ~~including or~~ philanthropic, funds. The board may adopt regulations  
27 allowing in-kind contributions in lieu of monetary contributions  
28 for this purpose.

29 (c) Up to 10 percent of the grant funds awarded pursuant to this  
30 title may be used by the counties for administrative expenses  
31 related to the development of the pay for success or social  
32 innovation financing contract. The remainder *of the grant* shall be  
33 contributed toward final payments to investors for successful  
34 programmatic outcomes achieved, as stipulated in the contract.

35 (d) If, after receiving a grant pursuant to this title, a county does  
36 not enter into a contract for which the grant was awarded, the  
37 county shall return all moneys awarded by the board pursuant to  
38 this title, to the state.

39 ~~97012. (a) The board may adopt regulations to implement this~~  
40 ~~title.~~

1     ~~(b)~~

2     97012. The board is encouraged to ~~consult with~~ *form an*  
3 *executive steering committee with members from relevant state*  
4 *agencies and departments with expertise in public health,*  
5 *homelessness and housing, workforce development, economic*  
6 *development, and effective rehabilitative treatment for adult and*  
7 *juvenile offenders* in the evaluation of the social innovation  
8 financing program, including, but not limited to, the Governor's  
9 Office of Business and Economic ~~Development~~ *Development, the*  
10 *Department of Housing and Community Development, the*  
11 *California Workforce Investment Board, and the Office of Health*  
12 *Equity, in order to determine the efficiency to make*  
13 *recommendations to the board regarding the efficacy and viability*  
14 *of proposals.*

15     ~~(e) The board may adopt a reasonable grant application fee that~~  
16 ~~is sufficient to cover the expenses incurred by the board in~~  
17 ~~reviewing an application for a grant pursuant to this title.~~

18     97013. ~~(a) The chair shall report annually to the Governor and~~  
19 ~~Legislature on the status of each ongoing social innovation~~  
20 ~~financing program, including, but not limited to, a description of~~  
21 ~~the desired outcome and an overview of the independent evaluator's~~  
22 ~~findings. The report shall also contain an accounting of the moneys~~  
23 ~~awarded.~~

24     97013. *(a) Each county receiving an award shall report*  
25 *annually to the board on the status of its ongoing social innovation*  
26 *financing program. The report shall also contain an accounting*  
27 *of the moneys awarded.*

28     ~~(b) The board shall compile the county reports and submit a~~  
29 ~~summary report to the Governor and Legislature annually.~~

30     ~~(b)~~

31     ~~(c) A report made pursuant to this section shall be made in~~  
32 ~~accordance with the requirements of Section 9795.~~

33     ~~(e)~~

34     ~~(d) This section shall remain in effect only until January 1,~~  
35 ~~2020, and as of that date is repealed, unless a later enacted statute,~~  
36 ~~that is enacted before January 1, 2020, deletes or extends that date.~~

37     97014. This title does not create a statutory entitlement to  
38 services or any contractual obligation on the part of the state.

1     97015. This title shall remain in effect only until January 1,  
2     2020, and as of that date is repealed, unless a later enacted statute,  
3     that is enacted before January 1, 2020, deletes or extends that date.

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